

(a) This account shall be credited or charged and the following accounts shall be charged or credited with the offsetting amount of current year income taxes (Federal, state and local) accrued during the period or adjustments to prior accruals:

7220 Operating Federal Income Taxes
7230 Operating State and Local Income Taxes
7400 Nonoperating Taxes
7600 Extraordinary Items

(b) If significant, current year income taxes paid in advance shall be reclassified to Account 1280, Prepayments.

Section 32.4080 Other taxes—accrued is amended and revised to read as follows:

§ 32.4080 Other taxes—accrued.

(a) This account shall be credited or charged and Account 7240, Operating Other Taxes, or 7400, Nonoperating Taxes, or, for payroll related costs, the appropriate expense accounts shall be charged or credited for all taxes, other than Federal, State and local income taxes, accrued or adjusted for previous accruals during the period. Among the taxes includable in this account are property, gross receipts, franchise, capital stock, social security and unemployment taxes.

(b) Taxes paid in advance of the period in which they are chargeable to income shall be included in the prepaid taxes Account 1280, Prepayments, or 1410, Other Noncurrent Assets, as appropriate.

Section 32.4110 Net current deferred nonoperating income taxes is amended by revising paragraph (c) and (f) to read as follows:

§ 32.4110 Net current deferred nonoperating income taxes.

* * * * *

(c) This account shall be debited or credited with the amount being credited or debited to Account 7400, Nonoperating taxes, in accordance with that account's description and § 32.22 of Subpart B.

(d) * * *

(e) * * *

(f) This account shall be debited or credited with the amount being credited and debited to Account 7600, Extraordinary Items.

* * * * *

Section 32.4120 Other accrued liabilities is deleted.

Section 32.4130 Other current liabilities is amended and revised to read as follows:

§ 32.4130 Other current liabilities.

(a) This account shall include:

(1) The amount of advance billing creditable to revenue accounts in future months; also advance payments made by prospective customers prior to the establishment of service. Amounts included in this account shall be credited to the appropriate revenue accounts in the months in which the service is rendered or cleared from this account as refunds are made.

(2) The amount (including any obligations for premiums) of long-term debt matured and unpaid without any specific agreement for extension of maturity, including unrepresented bonds drawn for redemption through the operation of sinking and redemption fund agreements.

(3) The current portion of obligations applicable to property obtained under capital leases.

(4) The amount of wages, compensated absences, interest on indebtedness of the company, dividends on capital stock, and rents accrued to the date for which the balance sheet is made, but not payable until after that date. Accruals shall be maintained so as to show separately the amount and nature of the items accrued to the date of the balance sheet.

(5) Matured rents, dividends, interest payable under monthly settlements on short-term loans, advances, and open accounts shall be included in Account 4000.

(6) All other liabilities of current character which are not included in Account 4000 through 4110.

Section 32.4200 Long term debt and funded debt is added to read as follows:

§ 32.4200 Long term debt and funded debt.

(a) This account shall include:

(1) The total face amount of unmatured debt maturing more than one year from date of issue, issued by the company and not retired, and the total face amount of similar unmatured debt of other companies, the payment of which has been assumed by the company, including funded debt the maturity of which has been extended by specific agreement. This account shall also include such items as mortgage bonds, collateral trust bonds, income bonds, convertible debt, debt securities with detachable warrants and other similar obligations maturing more than one year from date of issue.

(2) The premium associated with all classes of long-term debt. Premium, as applied to securities issued or assumed by the company, means the excess of the current money value received at their sale over the sum of their book or face amount and interest or dividends accrued at the date of the sale.

(3) The discount associated with all classes of long-term debt. Discount, as applied to securities issued or assumed by the company, means the excess of the book or face amount of the securities plus interest or dividends accrued at the date of the sale over the current money value of the consideration received at their sale.

(4) The face amount of debt reacquired prior to maturity that has not been retired. Gain or loss shall be recognized at the time of reacquisition by credits or charges to Account 7300, Nonoperating income and expense, except that material gains or losses shall be treated as extraordinary. (See Account 7600, Extraordinary items.)

(5) The noncurrent portion of obligations applicable to property obtained under capital leases. Amounts subject to current settlement shall be included in Account 4130, Other current liabilities.

(6) The amount of advance from affiliated companies. Amounts due affiliated companies which are subject to current settlement shall be included in Account 4000.

(7) Investment advances, including those represented by notes.

(8) Long-term debt not provided for elsewhere.

(b) Subsidiary records shall be maintained for each issue. The subsidiary records shall identify the premium or discount attributable to each issue.

(c) Premiums and discounts on long-term debt recorded in this account shall be amortized monthly by the interest method and charged or credited, as appropriate, to Account 7500, Interest and related items.

(d) Debt securities with detachable warrants shall be accounted for in accordance with generally accepted accounting principles.

(e) Securities maturing in one year or less, including securities maturing serially, shall be included in Account 4130, Other current liabilities.

Section 32.4210 Funded debt is deleted.

Section 32.4220 Premium on long term debt is deleted.

Section 32.4230 Discount on long term debt is deleted.

Section 32.4240 Reacquired debt is deleted.

Section 32.4250 Obligations under capital leases is deleted.

Section 32.4260 Advances from affiliated companies is deleted.

Section 32.4270 Other long-term debt is deleted.

Section 32.4300 Other long-term liabilities and deferred credits is added to read as follows:

§ 32.4300 Other long-term liabilities and deferred credits.

(a) This account shall include amounts accrued to provide for such items as unfunded pensions (if actuarially determined), death benefits, deferred compensation costs and other long-term liabilities not provided for elsewhere. Subsidiary records shall be maintained to identify the nature of these items.

(b) This account shall include the amount of all deferred credits not provided for elsewhere, such as amounts awaiting adjustment between accounts; and revenue, expense, and income items in suspense.

Section 32.4310 Other long-term liabilities is deleted.

Section 4330 Unamortized nonoperating investment tax credits—net is amended to read as follows:

§ 32.4330 Unamortized nonoperating investment tax credits--net.

(a) This account shall be credited and Account 7400, Nonoperating Taxes, shall be debited with investment tax credits generated from qualified expenditures related to other operations which the company has elected to defer rather than recognize currently in income.

(b) This account shall be debited and Account 7400 credited with a proportionate amount determined in relation to the useful book life of the property to which the tax credit relates.

Section 32.4341 Net deferred tax liability adjustments is amended to read as follows:

§ 32.4341 Net deferred tax liability adjustments.

(a) This account shall include the portion of deferred income tax charges and credits pertaining to Account 32.4361, Deferred tax regulatory adjustments--net.

(b) * * *

(2) Reclassification attributable to changes in tax rates (Federal, state and local). As tax rates increase or decrease, the offsetting debit or credit will be recorded in Account 4361 as required by paragraph (a) of this section.

* * * * *

Section 32.4350 Net noncurrent deferred nonoperating income taxes is amended to read as follows:

§ 32.4350 Net noncurrent deferred nonoperating income taxes.

* * * * *

(b) This account shall be credited or debited, as appropriate, and Account 7400, Nonoperating Taxes, shall reflect the offset for the tax effect of revenues from other operations and extraordinary items and nonoperating expenses which have been included in the determination of taxable income, but which will not be included in the determination of book income or for the tax effect of nonoperating expenses and extraordinary items and nonoperating income which have been included in the

determination of book income prior to the inclusion in the determination of taxable income.

(c) * * *

(d) * * *

(e) This account shall be charged or credited with the contra amount recorded to Account 7600, Extraordinary items, in accordance with § 32.22 of subpart B.

* * * * *

Section 32.4360 Other deferred credits is deleted.

Section 32.4361 Deferred tax regulatory liability is renamed Deferred tax regulatory adjustments—net and revised to read as follows:

§ 32.4361 Deferred tax regulatory adjustments--net.

(a) This account shall include amounts of probable future revenue for the recovery of future increases in taxes payable and amounts of probable future revenue reductions attributable to future decreases in taxes payable. As reductions or reversals occur, amounts recorded in this account shall be reduced or increased, with a contra entry being made to Account 4341, Net deferred tax liability adjustments.

(b) This account shall also be adjusted for the impact of prospective tax rate changes on the deferred tax liability for those temporary differences underlying its existing balance.

Section 32.4540 Other capital is amended to read as follows:

§ 32.4540 Other capital.

This account shall include amounts which are credits arising from the donation by stockholders of the company's capital stock, capital recorded upon the reorganization or recapitalization of the company and temporary declines in the value of marketable securities held for investment purposes. (See also Account 1410, Other noncurrent assets).

Subpart D--Instructions for Revenue Accounts

Section 32.4999 General is amended by eliminating paragraph (f)(2) and (g)(3), redesignating paragraph (g)(4) as (g)(3), and revising paragraphs (c), (d), (e), (g)(2), (h), (i)(1), and (n) to read as follows:

§ 32.4999 General

* * * * *

(c) *Commissions.* Commissions paid to others or employees in place of compensation or salaries for services rendered, such as public telephone commissions, shall be charged to Account 6620 Services, and not to the revenue accounts. Other commissions shall be charged to the appropriate expense accounts.

(d) *Revenue recognition.* Credits shall be made to the appropriate revenue accounts when such revenue is actually earned. When the billing cycle encompasses more than one accounting period, adjustments are necessary to properly recognize the revenue applicable to the current accounting period under report. Revenues recorded under the terms of two-tier contracts or other variable payment plans should be deferred, if necessary, and recognized ratably with expenses over the terms of the related contract. Any amounts deferred shall be credited to Account 4300, Other long-term liabilities and deferred credits.

(e) *Contractual arrangements.* Charges and credits resulting from activities associated with the provisions of regulated telecommunications services shall be recorded in a manner consistent with the nature of the underlying contractual arrangements. The charges and credits resulting from expense sharing or apportionment arrangements associated with the provision of regulated telecommunications services shall be recorded in the detailed regulated accounts. Charges and credits resulting from revenue settlement agreements or other revenue pooling arrangements associated with the provision of regulated telecommunications services shall be included in the appropriate revenue accounts. Those charges and credits resulting from contractual revenue pooling and/or sharing agreements shall be recorded in each prescribed revenue account and prescribed subsidiary record categories thereof to the extent that each is separately identifiable in the settlement process. It is not intended that settlement amounts be allocated or generally spread to the individual revenue accounts where they are not separately identifiable in the settlement process. When the settlement amounts are not identifiable by a revenue account they shall be recorded in Account 5060, Other basic area revenue, 5105, Long distance message revenue, or 5200, Miscellaneous revenue, as appropriate.

(f) * * *

(2) [Deleted]

(g) * * *

(2) The revenue section of this system of accounts shall be comprised of six major groups--Local Network Services Revenues, Network Access Services Revenues, Long

Distance Network Services Revenues, Miscellaneous Revenues, Nonregulated revenues, and Uncollectible Revenues, which shall be considered as a revenue group for the purposes of the construction of the system.

(3) Accounts shall be maintained as prescribed in this Section subject to the conditions described in section 32.13 of subpart B. In certain instances, subsidiary record categories may be required below the account level by this system of accounts or by Commission order.

(4) [Deleted]

(h) *Local Network Services revenues.* Local Network Services revenues (Accounts 5001-5060) shall include revenues derived from the provision of service and equipment entirely within the basic service area. That area is defined as the normal boundaries for local calling plus Extended Area Service (EAS) boundaries as they apply to that service. It includes revenues derived from both local private network service and local public network services as well as from customer premises facilities services. Local revenues include associated charges such as one-time service connection or termination charges and secondary features such as call waiting.

(i) *Network Access revenues.* (1) Network Access revenues (Accounts 5081-5083) shall include revenues derived from the provision of exchange access services to an interexchange carrier or to an end user of telecommunications services beyond the exchange carrier's network.

(i)(2) * * *

(j) * * *

(k) * * *

(l) * * *

(m) * * *

(n) Revenue accounts to be maintained.

Account Title	Class A account	Class B account
Local Network Services Revenues:		
Basic local service revenue		5000
Basic area revenue	5001	.....
Private line revenue	5040	.....
Other basic area revenue	5060	.....
Network Access Service Revenues:		

End User Revenue	5081	5081
Switched access revenue	5082	5082
Special Access revenue	5083	5083
Long Distance Network Services Revenues:		
Long distance message revenue	5105	5105
Miscellaneous Revenues:		
Miscellaneous revenue	5200	5200
Nonregulated Revenues:		
Nonregulated operating revenue	5280	5280
Uncollectible Revenues:		
Uncollectible revenue	5300	5300

Section 32.5000 Basic local service revenue is amended to read as follows:

§ 32.5000 Basic local service revenue.

Class B telephone companies shall use this account for revenues of the type and character required of Class A companies in Accounts 5001 through 5060.

Section 32.5001 Basic area revenue is amended to read as follows:

§ 32.5001 Basic area revenue.

(a) This account shall include revenue derived from the provision of the following:

(1) Basic area message services such as flat rate services and measured services. Included is revenue derived from non-optional extended area services. Also included is revenue derived from the billed or guaranteed portion of semi-public services.

(2) Optional extended area service.

(3) Cellular mobile telecommunications systems connected to the public switched network placed between mobile units and other stations within the mobile service area.

(4) General radio telecommunications systems connected to the public switched network placed between mobile units and other stations within the

mobile service area, as well as revenue from mobile radio paging, mobile dispatching, and signaling services.

(b) Revenue derived from charges for nonpublished number or additional and boldfaced listings in the alphabetical section of the company's telephone directories shall be included in Account 5200, Miscellaneous revenue.

(c) Revenue from private mobile telephone services which do not have access to the public switched network shall be included in Account 5200, Miscellaneous revenue.

Section 32.5004 Other mobile services revenue is deleted.

Section 32.5040 Local private line revenue is renamed as follows:

§ 32.5040 Private line revenue.

Section 32.5050 Customer premises revenue is deleted.

Section 32.5060 Other local exchange revenue is renamed and revised to read as follows:

§ 32.5060 Other basic area revenue.

(a) This account shall include:

(1) Revenue from the provision of secondary features which are integrated with the telecommunications network such as call forwarding, call waiting and touch-tone line service. Also included is revenue derived from the provision of public announcement and other record message services, directory assistance and other call completion services (excluding operator assisted basic long distance calls), as well as revenue derived from central office related service connection and termination charges, and other non-premise customer specific charges associated with public network services. This account shall also include local revenue not provided for in other accounts.

(2) Charges and credits resulting from contractual revenue pooling and/or sharing agreements for tariffed local network services only when they are not separately identifiable by local network services revenue accounts in the settlement process. (See also § 32.4999(e) of this subpart.) To the extent that the charges and credits resulting from a settlement process can be identified by Local Network Services Revenue account they shall be recorded in the applicable account.

(3) Revenue derived from tariffed information origination/termination plant. Included is revenue derived from the provision under leasing arrangements of tariffed

customer premises equipment (CPE), terminal equipment, station apparatus and large private branch exchanges as well as tariffed nonrecurring charges related solely to station apparatus. Also included are all tariffed charges for customer premises activities and facilities not related solely to station apparatus.

Section 32.5069 Other local exchange revenue settlements is deleted.

Section 32.5080 Network access revenue is deleted.

Section 32.5081 End user revenue is revised to read as follows:

§ 32.5081 End user revenue.

(a) This account shall contain federally and state tariffed monthly flat rate charge assessed upon end users.

(b) Subsidiary record categories shall be maintained in order that the company may separately report amounts related to federal and state tariffed charges.

Section 32.5082 Switched access revenue is revised to read as follows:

§ 32.5082 Switched access revenue.

(a) This account shall consist of federally and state tariffed charges assessed to interexchange carriers for access to local exchange facilities.

(b) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that relate to limited pay telephone, carrier common line, line termination, local switching, intercept, information, common transport and dedicated transport. The subsidiary records shall also separately show the federal and state tariffed charges. Such subsidiary record categories shall be reported as required by part 43 of this Commission's Rules and Regulations.

Section 32.5083 Special access revenue is revised to read as follows:

§ 32.5083 Special access revenue.

(a) This account shall include all federally and state tariffed charges assessed for other than end user or switched access charges referred to in Account 5081, End user revenue, and Account 5082, Switched access revenue.

(b) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that relate to recurring charges, nonrecurring charges and surcharges. The subsidiary records shall also separately show the federal and state tariffed charges. Such subsidiary record categories shall be reported as required by part 43 of this Commission's Rules and Regulations.

Section 32.5084 State access revenue is deleted.

Section 32.5100 Long distance message revenue is renumbered and revised to read as follows:

§ 32.5105 Long distance message revenue

This account shall include revenue derived from message services that terminate beyond the basic service area of the originating wire center and are individually priced. This includes those message services which utilize the public long distance switching network and the basic subscriber access line. It also includes those long distance calls placed from mobile and public telephones, as well as any charges for operator assistance or special billing directly related to the completion of a specific call. This account shall also include revenue derived from individually priced message services offered under calling plans (discounted long distance) which do not utilize dedicated access lines, as well as those priced at the basic long distance rates where a discounted toll charge is on a per message basis. Any revenue derived from monthly or one-time charges for obtaining calling plan services shall be included in this account. This account includes revenue derived from the following services:

(a) Long distance services which permit unidirectional calls to a subscriber from specified services areas (multipoint-to-point service). These calls require the use of dedicated access lines connecting a subscriber's premises and a designated central office. These dedicated access lines are generally separate from those required for the subscriber to place outward calls. The call is billed to the subscriber even though it is generally initiated by the subscriber's customer or correspondent.

(b) Long distance services which permit the subscriber to place telephone calls from one location to other specified service areas (point-to-multipoint service). These calls are completed without operator assistance and require the use of a dedicated access line. The dedicated access line is generally separate from those required for inward message services and cannot be used to place calls within the basic service area or calls outside the selected service areas. Outward calls are screened and blocked to determine whether the calls are within an authorized service area.

(c) Services extending beyond the basic service area that involve dedicated circuits, private switching arrangements, and/or predefined transmission paths, whether virtual or physical, which provide communications between specific locations (e.g.,

point-to-point communications). Service connection charges, termination charges, rearrangements and changes, etc., shall be included in this account. Revenue derived from associated administrative and operational support services shall also be included in this account.

(1) Narrow-band analog private network circuits and facilities furnished exclusively for record forms of communications, such as teletypewriter, teletypesetter, telewriter, ticker, Morse, signaling, remote metering, and supervisory services.

(2) Private network circuits and facilities (including multipurpose wide-band) which provide voice grade services for the transmission of analog signals. It includes revenue from services such as voice, data and telephoto communication, as well as remote metering, supervisory control, miscellaneous signaling and channels furnished for the purpose of extending customer--provided communications systems. It includes revenue from the provision of facilities between customer premises and (a) a serving office, (b) a carrier distribution point or (c) an extension distribution channel.

(3) Private network circuits and facilities furnished for audio program transmission purposes, such as radio broadcasting, sound recording (wired music) and loud speaker services. It includes revenue from the provision of facilities for the transmission of analog signals between customer premises and (1) a serving office, (2) a carrier distribution point or (3) an extension distribution channel furnished in connection with such services. It also includes revenue from facilities furnished to carry the audio portion of a television program if furnished under separate audio rates. If the rate for television program services includes both the picture and sound portion of the transmission, the revenue shall also be included in this account.

(4) Private network circuits and facilities furnished for television program transmission purposes, such as commercial broadcast and educational or private television services. It includes revenue from the provision of facilities for the transmission of analog signals between customer premises and (a) a serving office, (b) a carrier distribution point or (c) an extension distribution channel furnished in connection with such services. It also includes revenue from both the picture and sound portions of transmission for television program service when provided under a combined rate schedule.

(5) The provision of circuits and facilities for the transmission of digital signals only.

(6) The provision of common user channels and switching capabilities used for the transmission of telecommunication signals between three (3) or more points in the network. Also included is revenue derived from the provision of basic switching and transfer arrangements used to connect private line channels.

(7) Charges and credits resulting from contractual revenue pooling and/or sharing agreements for tariffed long distance public network services and for tariffed long distance private network services.

Section 32.5110 Unidirectional long distance revenue is deleted.

Section 32.5111 Long distance inward-only revenue is deleted.

Section 32.5112 Long distance outward-only revenue is deleted.

Section 32.5120 Long distance private network revenue is deleted.

Section 32.5121 Subvoice grade long distance private network revenue is deleted.

Section 32.5122 Voice grade long distance private network revenue is deleted.

Section 32.5123 Audio program grade long distance private network revenue is deleted.

Section 32.5124 Video program grade long distance private network revenue is deleted.

Section 32.5125 Digital transmission long distance private network revenue is deleted.

Section 32.5126 Long distance private network switching revenue is deleted.

Section 32.5128 Other long distance private network revenue is deleted.

Section 32.5129 Other long distance private network revenue settlements is deleted.

Section 32.5160 Other long distance revenue is deleted.

Section 32.5169 Other long distance revenue settlements is deleted.

Section 32.5200 Miscellaneous revenue is revised to read as follows:

§ 32.5200 Miscellaneous revenue

(a) This account shall include revenue derived from the following:

(1) Alphabetical and classified sections of directories including fees paid by other entities for the right to publish the company's directories. It includes the classified section of the directories, the sale of new telephone directories whether they are the company's own directories or directories purchased from others. It also includes revenue from the sale of specially bound telephone directories and special telephone directory covers; amounts charged for additional and boldface listings, marginal displays, inserts, and other advertisements in the alphabetical of the company's telephone directories; and charges for unlisted and non-published telephone numbers.

(2) Rental or subrental to others of telecommunications plant furnished apart from telecommunications services rendered by the company (This revenue includes taxes when borne by the lessee). It includes revenue from the rent of such items as space in conduit, pole line space for attachments, and any allowance for return on property used in joint operations and shared facilities agreements. The expense of maintaining and operating the rented property, including depreciation and insurance, shall be included in the appropriate operating expense accounts. Taxes applicable to the rented property shall be included by the owner of the rented property in appropriate tax accounts. When land or buildings are rented on an incidental basis for non-telecommunications use, the rental and expenses are included in Account 7300, Nonoperating income and expense.

(3) Services rendered to other companies under a license agreement, general services contract, or other arrangement providing for the furnishing of general accounting, financial, legal, patent, and other general services associated with the provision of regulated telecommunications services.

(4) The provision, either under tariff or through contractual arrangements, of special billing information to customers in the form of magnetic tapes, cards or statements. Special billing information provides detail in a format and/or at a level of detail not normally provided in the standard billing rendered for the regulated telephone services utilized by the customer.

(5) The performance of customer operations services for others incident to the company's regulated telecommunications operations which are not provided for elsewhere. (See also §§ 32.14(e) and 32.4999(e) of this part.)

(6) Contract services (plant maintenance) performed for others incident to the company's regulated telecommunications operations. This includes revenue from the incidental performance of nontariffed operating and maintenance activities for others which are similar in nature to those activities which are performed by the company in operating and maintaining its own telecommunications plant facilities. The records supporting the entries in this account shall be maintained with sufficient particularity to identify the revenue and associated Plant Specific Operations Expenses related to each

undertaking. This account does not include revenue related to the performance of operation or maintenance activities under a joint operating agreement.

(7) The provision of billing and collection services to other telecommunications companies. This includes amounts charged for services such as message recording, billing, collection, billing analysis, and billing information services, whether rendered under tariff or contractual arrangements.

(8) Charges and credits resulting from contractual revenue pooling and/or sharing agreements for activities included in the miscellaneous revenue accounts only when they are not identifiable by miscellaneous revenue account in the settlement process. (See also § 32.4999(e) of this subpart.) The extent that the charges and credits resulting from a settlement process can be identified by miscellaneous revenue accounts they shall be recorded in the applicable account.

(9) The provision of transport and termination of local telecommunications traffic pursuant to section 251(c) and Part 51 of these rules.

(10) The provision of unbundled network elements pursuant to section 251(c) of the Communications Act and Part 51 of these rules.

(11) This account shall also include other incidental regulated revenue such as:

(i) Collection overages (collection shortages shall be charged to Account 6620, Services.)

(ii) Unclaimed refunds for telecommunications services when not subject to escheats;

(iii) Charges (penalties) imposed by the company for customer checks returned for non-payment;

(iv) Discounts allowed customers for prompt payment;

(v) Late-payment charges;

(vi) Revenue from private mobile telephone services which do not have access to the public switched network; and

(vii) Other incidental revenue not provided for elsewhere in other Revenue accounts.

(12) Any definitely known amounts of losses of revenue collections due to fire or theft, (i) at customers' coin-box stations, (ii) at public or semipublic telephone stations, (iii) in the possession of collectors en route to collection offices, (iv) on hand at collection offices,

and (v) between collection offices and banks shall be charged to Account 6720, General and Administrative.

Section 32.5230 Directory revenue is deleted.

Section 32.5240 Rent revenue is deleted.

Section 32.5250 Corporate operations revenue is deleted.

Section 32.5260 Miscellaneous revenue is deleted.

Section 32.5261 Special billing arrangements revenue is deleted.

Section 32.5262 Customer operations revenue is deleted.

Section 32.5263 Plant operations revenue is deleted.

Section 32.5264 Other incidental regulated revenue is deleted.

Section 32.5269 Other revenue settlements is deleted.

Section 32.5270 Carrier billing and collection revenue is deleted.

Section 32.5280 Nonregulated operating revenue is amended to revise paragraph (c) as follows:

§ 32.5280 Nonregulated operating revenue.

* * * * *

(c) Separate subsidiary record categories shall be maintained for two groups of nonregulated revenue as follows: one subsidiary record for all revenues derived from regulated services treated as nonregulated for federal accounting purposes pursuant to Commission order and the second for all other revenues derived from a nonregulated activity as set forth in (a).

Section 32.5300 Uncollectible revenue is revised to read as follows:

§ 32.5300 Uncollectible revenue.

This account shall be charged with amounts concurrently credited to Account 1170, Receivables.

Section 32.5301 Uncollectible revenue—telecommunications is deleted.

Section 32.5302 Uncollectible revenue—other is deleted.

Section 32.5999 General is amended by deleting paragraph (a)(3), redesignating (a)(4) as (a)(3), and revising paragraphs (b)(4), (c), and (g) as follows:

§ 32.5999 General.

(a) * * *

(3) [Deleted]

(4) redesignated to read (a)(3)

(b)* * *

(4) In addition to the activities specified in paragraph (b)(3) of this section, the appropriate Plant Specific Operations Expense accounts shall include the cost of personnel whose principal job is the operation of plant equipment, such as general purpose computer operators, aircraft pilots, chauffeurs and shuttle bus drivers. However, when the operation of equipment is performed as part of other identifiable functions (such as the use of office equipment, capital tools or motor vehicles) the operators' cost shall be charged to accounts appropriate for those functions. (For costs of operator services personnel, see Account 6620, Services, and for costs of test board personnel see Account 6533.)

(c) Plant Nonspecific Operations Expense. The Plant Nonspecific Operations Expense accounts shall include expenses related to property held for future telecommunications use, provisioning expenses, network operations expenses, and depreciation and amortization expenses. Accounts in this group (except for Account 6540, Access expense, and Account 6560, Depreciation and amortization expense) shall include the costs of performing activities described in narratives for individual accounts. These costs shall also include the costs of supervision and office support of these activities.

(d) * * *

(e) * * *

(f) * * *

(g) *Expense accounts to be maintained.*

Account Title	Class A account	Class B account
Income Statement Accounts		
Plant specific operations expense:		
Network support expense		6110
Motor Vehicle Expense	6112	....
Aircraft expense	6113	....
Tools and other work equipment expense	6114	....
General support expenses		6120
Land and Building expenses	6121	....
Furniture and artworks expense	6122	....
Office equipment expense	6123	....
General purpose computers expense	6124	....
Central Office switching expense		6210
Non-digital switching expense	6211	....
Digital electronic switching expense	6212	....
Operators system expense	6220	6220
Central office transmission expenses		6230
Radio systems expense	6231	....
Circuit equipment expense	6232	....
Information origination/termination expense		6310
Station apparatus expense	6311	....
Large private branch exchange expense	6341	....
Public telephone terminal equipment expense	6351	....
Other terminal equipment	6362	....

expense		
Cable and wire facilities expenses		6410
Poles expense	6411	....
Aerial cable expense	6421	....
Underground cable expense	6422	....
Buried cable expense	6423	....
Submarine and deep sea cable expense	6424	....
Intrabuilding network cable expense	6426	....
Aerial wire expense	6431	....
Conduit systems expense	6441	....
Plant nonspecific operations expense:		
Other property plant and equipment expenses		6510
Property held for future Telecommunications use expense	6511	...
Provisioning expense	6512	....
Network operations expenses		6530
Power expense	6531	....
Network administration expense	6532	....
Testing expense	6533	....
Plant operations administration expense	6534	....
Engineering expense	6535	....
Access expense	6540	6540
Depreciation and amortization expenses	6560	6560
Customer operations expense:		
Marketing		6610
Product management and sales	6611	
Product advertising	6613	
Services	6620	6620
Corporate operations expense:		
General and administrative	6720	6720
Provision for uncollectible	6790	6790

notes receivable		
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Section 32.6110 Network support expenses is revised to read as follows:

§ 32.6110 Network support expenses.

(a) Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6112 through 6114.

(b) Credits shall be made to this account by Class B companies for amounts transferred to Construction and/or other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours.

Section 32.6112 Motor vehicle expense is amended by revising paragraph (b) as follows:

§ 32.6112 Motor vehicle expense.

* * * * *

(b) Credits shall be made to this account for amounts transferred to Construction and/or to other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours.

Section 32.6113 Aircraft expense is amended by revising paragraph (b) as follows:

§ 32.6113 Aircraft expense.

* * * * *

(b) Credits shall be made to this account for amounts transferred to Construction and/or to other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours.

Section 32.6114 Tools and other work equipment expense is amended by revising paragraph (b) as follows:

§ 32.6114 Tools and other work equipment expense.

* * * * *

(b) Credits shall be made to this account for amounts related to special purpose vehicles and other work equipment transferred to

Construction and/or to other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours.

Section 32.6120 General support expenses is revised to read as follows:

§ 32.6120 General support expenses.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6121 through 6124.

Section 32.6124 General purpose computers expense is revised to read as follows:

§ 32.6124 General purpose computers expense.

This account shall include the costs of personnel whose principal job is the physical operation of general purpose computers and the maintenance of operating systems. This excludes the cost of preparation of input data or the use of outputs which are chargeable to the accounts appropriate for the activities being performed. Also excluded are costs incurred in planning and maintaining application systems and databases for general purpose computers. (See also § 32.6720, General and administrative.) Separately metered electricity for general purpose computers shall also be included in this account.

Section 32.6210 Central office switching expenses is revised to read as follows:

§ 32.6210 Central office switching expenses.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6211 through 6212.

Section 32.6211 Analog electronic expense is renamed and revised to read as follows:

§ 32.6211 Non-digital switching expense.

This account shall include expenses associated with non-digital electronic switching and electro-mechanical switching.

Section 32.6212 Digital electronic expense is renamed and revised to read as follows:

§ 32.6212 Digital electronic switching expense.

(a) This account shall include expenses associated with digital electronic switching. Digital electronic switching expenses shall be maintained in the following subaccounts:

6212.1 Circuit

6212.2 Packet

(b) *6212.1 Circuit*. This subaccount shall include expenses associated with digital electronic switching equipment used to provide circuit switching.

(c) *6212.2 Packet*. This subaccount shall include expenses associated with digital electronic switching equipment used to provide packet switching.

Section 32.6215 Electro-mechanical expense is deleted.

Section 32.6230 Central office transmission expense is revised to read as follows:

§ 32.6230 Central office transmission expense.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6231 and 6232.

Section 32.6231 Radio systems expense is amended by deleting paragraph (b).

§ 32.6231 Radio systems expense.

(a) * * *

(b) [Deleted]

Section 32.6232 Circuit equipment expense is revised to read as follows:

§ 32.6232 Circuit equipment expense.

(a) This account shall include expenses associated with circuit equipment. Circuit equipment expenses shall be maintained in the following subaccounts:

6232.1 Electronic

6232.2 Optical

(b) *6232.1 Electronic*. This subaccount shall include expenses associated with electronic circuit equipment.

(c) *6232.2 Optical*. This subaccount shall include expenses associated with optical circuit equipment.

Section 32.6310 Information origination/termination expenses is revised to read as follows:

§ 32.6310 Information origination/termination expenses.

Class B telephone companies shall use this account for expenses of the type and character required of Class A telephone companies in Accounts 6311 through 6362.

Section 32.6410 Cable and wire facilities expenses is revised to read as follows:

§ 32.6410 Cable and wire facilities expenses.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6411 through 6441.

Section 32.6424 Submarine cable expense is renamed and revised to read as follows:

§ 32.6424 Submarine and deep sea cable expense.

(a) This account shall include expenses associated with submarine and deep sea cable.

(b) Subsidiary record categories shall be maintained as provided in § 32.2424 (a) of subpart C.

Section 32.6425 Deep sea cable expense is deleted.

Section 32.6510 Other property, plant and equipment expenses is revised to read as follows:

§ 32.6510 Other property, plant and equipment expenses.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6511 and 6512.

Section 32.6512 Provisioning expense is revised to read as follows:

§ 32.6512 Provisioning expense.

(a) This account shall include costs incurred in provisioning material and supplies, including office supplies. This includes receiving and stocking, filling requisitions from stock, monitoring and replenishing stock levels, delivery of material, storage, loading or unloading and administering the reuse or refurbishment of material. Also included are adjustments resulting from the periodic inventory of material and supplies.

(b) Credits shall be made to this account for amounts transferred to construction and/or to Plant Specific Operations Expense. These costs are to be cleared by adding to the cost of material and supplies a suitable loading charge.

Section 32.6530 Network operations expense is revised to read as follows:

§ 32.6530 Network operations expense.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6531 through 6535.

Section 32.6560 Depreciation and amortization expenses is revised to read as follows:

§ 32.6560 Depreciation and amortization expenses.

(a) This account shall include:

(1) The depreciation expense of capitalized costs in Accounts 2112 through 2441, inclusive.

(2) The depreciation expense of capitalized costs included in Account 2002, Property held for future telecommunications use.

(3) The amortization of costs included in Accounts 2681, Capital leases, 2682, Leasehold improvements, and Account 2690, Intangibles.

(4) The amortization of costs included in Account 2005, Telecommunications plant adjustment, and lump-sum write-offs of amounts of plant acquisition adjustment as provided for in § 32.2005(b)(4) of Subpart C.

(b) Subsidiary records shall be maintained so as to show that character of the amounts related to plant acquisition adjustments.

Section 32.6561 Depreciation expense—telecommunications plant in service is deleted.

Section 32.6562 Depreciation expense—property held for future telecommunications is deleted.

Section 32.6563 Amortization expense—tangible is deleted.

Section 32.6564 Amortization expense—intangible is deleted.

Section 32.6565 Amortization expense—other is deleted.

Section 32.6610 Marketing is revised to read as follows:

§ 32.6610 Marketing.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6611-6613.

Section 32.6611 Product management is renamed and revised to read as follows:

§ 32.6611 Product management and sales.

(a) This account shall include:

(1) Costs incurred in performing administrative activities related to marketing products and services. This includes competitive analysis, product and service identification and specification, test market planning, demand forecasting, product life cycle analysis, pricing analysis, and identification and establishment of distribution channels.

(2) Costs incurred in selling products and services. This includes determination of individual customer needs, development and presentation of customer proposals, sales order preparation and handling, and preparation of sales records.

Section 32.6612 Sales is deleted.

Section 32.6620 Services is amended by adding two subaccounts and is revised to read as follows:

§ 32.6620 Services.

(a) This account shall include:

(1) Costs incurred in helping customers place and complete calls, except directory assistance. This includes handling and recording; intercept; quoting rates, time and charges; and all other activities involved in the manual handling of calls.

(2) Costs incurred in providing customer number and classified listings. This includes preparing or purchasing, compiling, and disseminating those listings through directory assistance or other means.

(3) Costs incurred in establishing and servicing customer accounts. This includes:

(i) Initiating customer service orders and records;

(ii) Maintaining and billing customer accounts;

(iii) Collecting and investigating customer accounts, including collecting revenues, reporting receipts, administering collection treatment, and handling contacts with customers regarding adjustments of bills;

(iv) Collecting and reporting pay station receipts; and

(v) Instructing customers in the use of products and services.

(b) This account shall also include amounts paid by interexchange carriers or other exchange carriers to another exchange carrier for billing and collection services. Subsidiary record categories shall be maintained in order that the entity may separately report interstate and intrastate amounts. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

(c) Class A companies, except mid-sized incumbent local exchange carriers, shall maintain the following subaccounts for expenses recorded in this account:

6620.1 Wholesale

6620.2 Retail

(1) *6620.1 Wholesale*. This subaccount shall include costs associated with telecommunications services provided for resale to other telecommunications carriers.

(2) *6620.2 Retail*. This subaccount shall include costs associated with telecommunications services provided to subscribers who are not telecommunications carriers.

Section 32.6621 Call completion services is deleted.

Section 32.6622 Number services is deleted.

Section 32.6623 Customer services is deleted.

Section 32.6710 Executive and planning is deleted.

Section 32.6711 Executive is deleted.

Section 32.6712 Planning is deleted.

Section 32.6720 General and administrative is revised to read as follows:

§ 32.6720 General and administrative.

This account shall include costs incurred in the provision of general and administrative services as follows:

(a) Formulating corporate policy and in providing overall administration and management. Included are the pay, fees and expenses of boards of directors or similar policy boards and all board-designated officers of the company and their office staffs, e.g., secretaries and staff assistants.

(b) Developing and evaluating long-term courses of action for the future operations of the company. This includes performing corporate organization and integrated long-range planning, including management studies, options and contingency plans, and economic strategic analysis.

(c) Providing accounting and financial services. Accounting services include payroll and disbursements, property accounting, capital recovery, regulatory accounting (revenue requirements, separations, settlements and corollary cost accounting), non-customer billing, tax accounting, internal and external auditing, capital and operating budget analysis and control, and general accounting (accounting principles and procedures and journals, ledgers, and financial reports). Financial services include

banking operations, cash management, benefit investment fund management (including actuarial services), securities management, debt trust administration, corporate financial planning and analysis, and internal cashier services.

(d) Maintaining relations with government, regulators, other companies and the general public. This includes:

(1) Reviewing existing or pending legislation (See also Account 7300, Nonoperating income and expense, for lobbying expenses.);

(2) Preparing and presenting information for regulatory purposes, including tariff and service cost filings, and obtaining radio licenses and construction permits;

(3) Performing public relations and non-product-related corporate image advertising activities;

(4) Administering relations, including negotiating contracts, with telecommunications companies and other utilities, businesses, and industries. This excludes sales contracts (See also Account 6611, Product management and sales.); and

(5) Administering investor relations.

(e) Performing personnel administration activities. This includes:

(1) Equal Employment Opportunity and Affirmative Action Programs;

(2) Employee data for forecasting, planning and reporting;

(3) General employment services;

(4) Occupational medical services;

(5) Job analysis and salary programs;

(6) Labor relations activities;

(7) Personnel development and staffing services, including counseling, career planning, promotion and transfer programs;

(8) Personnel policy development;

(9) Employee communications;

(10) Benefit administration;

(11) Employee activity programs;

(12) Employee safety programs; and

(13) Nontechnical training course development and presentation.

(f) Planning and maintaining application systems and databases for general purpose computers.

(g) Providing legal services. This includes conducting and coordinating litigation, providing guidance on regulatory and labor matters, preparing, reviewing and filing patents and contracts and interpreting legislation. Also included are court costs, filing fees, and the costs of outside counsel, depositions, transcripts and witnesses.

(h) Procuring material and supplies, including office supplies. This includes analyzing and evaluating suppliers' products, selecting appropriate suppliers, negotiating supply contracts, placing purchase orders, expediting and controlling orders placed for material, developing standards for material purchased and administering vendor or user claims.

(i) Making planned search or critical investigation aimed at discovery of new knowledge. It also includes translating research findings into a plan or design for a new product or process or for a significant improvement to an existing product or process, whether intended for sale or use. This excludes making routine alterations to existing products, processes, and other ongoing operations even though those alterations may represent improvements.

(j) Performing general administrative activities not directly charged to the user, and not provided for above. This includes providing general reference libraries, food services (e.g., cafeterias, lunch rooms and vending facilities), archives, general security investigation services, operating official private branch exchanges in the conduct of the business, and telecommunications and mail services. Also included are payments in settlement of accident and damage claims, insurance premiums for protection against losses and damages, direct benefit payments to or on behalf of retired and separated employees, accident and sickness disability payments, supplemental payments to employees while in governmental service, death payments, and other miscellaneous costs of a corporate nature. This account excludes the cost of office services, which are to be included in the accounts appropriate for the activities supported.

Section 32.6721 Accounting and finance is deleted.

Section 32.6722 External relations is deleted.

Section 32.6723 Human resources is deleted.

Section 32.6724 Information management is deleted.

Section 32.6725 Legal is deleted.

Section 32.6726 Procurement is deleted.

Section 32.6727 Research and development is deleted.

Section 32.6728 Other general and administrative is deleted.

Section 32.6790 Provision for uncollectible notes receivable is revised to read as follows:

§ 32.6790 Provision for uncollectible notes receivable.

This account shall be charged with amounts concurrently credited to Account 1170, Receivables.

Section 32.6999 General is revised to read as follows:

§ 32.6999 General.

(a) Structure of the Other Income Accounts. The Other Income Accounts are designed to reflect both operating and nonoperating income items including taxes, extraordinary items and other income and expense items not properly included elsewhere.

(b) Other Income Accounts Listing.

Account Title	Class A Account	Class B Account
Other operating income and expense:		
Other operating income and expense	7100	7100
Operating taxes:		
Operating taxes		7200
Operating investment tax credits-net	7210	....
Operating Federal income taxes	7220	....
Operating State and Local income taxes	7230	....

Operating other taxes	7240	....
Provision for deferred operating income taxes--net	7250	....
Nonoperating income and expense:		
Nonoperating income and expense	7300	7300
Nonoperating taxes:		
Nonoperating taxes	7400	7400
Interest and related items:		
Interest and related items	7500	7500
Extraordinary items	7600	7600
Jurisdictional Differences and non-regulated income items:		
Income effect of jurisdictional ratemaking difference--net	7910	7910
Nonregulated net income	7990	7990

Section 32.7099 Content of accounts is deleted.

Section 32.7100 Other operating income and expenses shall be revised to read as follows:

§ 32.7100 Other operating income and expenses.

(a) This account shall be used to record the results of transactions, events or circumstances during the periods which are incidental or peripheral to the major or central operations of the company. It shall be used to record all items of an operating nature such as incidental work performed for others not provided for elsewhere. Whenever practicable the inflows and outflows associated with a transaction, event or circumstances shall be matched and the result shown as a net gain or loss. This account shall include the following:

(1) Profits realized from custom work (plant construction) performed for others incident to the company's regulated telecommunications operations. This includes profits from the incidental performance of nontariffed construction activities (including associated engineering and design) for others which are similar in nature to those activities which are performed by the company in constructing its own telecommunications plant facilities. The records supporting the entries in this account for income and custom work shall be maintained with sufficient particularity to identify separately the revenue and costs associated with each undertaking.

(2) Return on investment for the use of regulated property plant and equipment to provide nonregulated products and services.

(3) All gains and losses resulting from the exchange of foreign currency. Transaction (realized) gains or losses shall be measured based on the exchange rate in effect on the transaction date. Unrealized gains or losses shall be measured based on the exchange rate in effect at the balance sheet date.

(4) Gains or losses resulting from the disposition of land or artworks.

(5) Charges or credits, as appropriate, to record the results of transactions, events or circumstances which are of an operational nature, but occur irregularly or are peripheral to the major or central operations of the company and not provided for elsewhere.

Section 32.7110 Income from custom work is deleted.

Section 32.7130 Return from nonregulated use of regulated facilities is deleted.

Section 32.7140 Gains and losses from foreign exchange is deleted.

Section 32.7150 Gains and losses from the disposition of land and artworks is deleted.

Section 32.7160 Other operating gains and losses is deleted.

Section 32.7200 Operating taxes is revised to read as follows:

§ 32.7200 Operating taxes.

Class B telephone companies shall use this account for operating taxes of the type and character required of Class A companies in Accounts 7210 through 7250.

Section 32.7210 Operating investment tax credits—net is amended by revising paragraph (b) as follows:

§ 32.7210 Operating investment tax credits--net.

* * * * *

(b) This account shall be credited and Account 4320 shall be charged ratably with the amortization of each year's investment tax credits included in Account 4320 for investment services for ratemaking purposes. Such amortization shall be determined in relation to the period of time used for computing book depreciation on the property with respect to which the tax credits relate.

Section 32.7240 Operating other taxes is amended by revising paragraph (d), (e), and (g) as follows:

§ 32.7240 Operating other taxes.

* * * * *

(d) Interest on tax assessments which are not paid when due shall be included in Account 7500, Interest and related items.

(e) Taxes paid by the company under tax-free covenants on indebtedness shall be charged to Account 7300, Nonoperating income and expense.

(f) * * *

(g) Taxes on rented telecommunications plant which are borne by the lessee shall be credited by the owner to Account 5200, Miscellaneous revenue, and shall be charged by the lessee to the appropriate Plant Specific Operations Expense account.

Section 32.7299 Content of accounts is deleted.

Section 32.7300 Nonoperating income and expense is revised to read as follows:

§ 32.7300 Nonoperating income and expense.

(a) This account shall be used to record the results of transactions, events and circumstances affecting the company during a period and which are not operational in nature. This account shall include such items as nonoperating taxes, dividend income and interest income. Whenever practicable, the inflows and outflows associated with a transaction or event shall be matched and the result shown as a net gain or loss. This account shall include the following:

(1) Dividends on investments in common and preferred stock, which is the property of the company, whether such stock is owned by the company and held in its treasury, or deposited in trust including sinking or other funds, or otherwise controlled.

(2) Dividends received and receivable from affiliated companies accounted for on the equity method shall be included in Account 1410, Other noncurrent assets, as a reduction of the carrying value of the investments.

(3) Interest on securities, including notes and other evidences of indebtedness, which are the property of the company, whether such securities are owned by the company and held in its treasury, or deposited in trust including sinking or other funds, or otherwise controlled. It shall also include interest on cash bank balances, certificates of deposits, open accounts, and other analogous items.

(4) For each month the applicable amount requisite to extinguish, during the interval between the date of acquisition and date of maturity, the difference between the purchase price and the par value of securities owned or held in sinking or other funds, the income from which is includable in this account. Amounts thus credited or charged shall be concurrently included in the accounts in which the securities are carried.

(5) Amounts charged to the telecommunications plant under construction account related to allowance for funds used during construction. (See § 32.2000(c)(2)(x).)

(6) Gains or losses resulting from:

(i) The disposition of land or artworks;

(ii) The disposition of plant with traffic;

(iii) The disposition of nonoperating telecommunications plant not previously used in the provision of telecommunications services.

(7) All other items of income and gains or losses from activities not specifically provided for elsewhere, including representative items such as:

(i) Fees collected in connection with the exchange of coupon bonds for registered bonds;

(ii) Gains or losses realized on the sale of temporary cash investments or marketable equity securities;

(iii) Net unrealized losses on investments in current marketable equity securities;

(iv) Write-downs or write-offs of the book costs of investment in equity securities due to permanent impairment;

(v) Gains or losses of nonoperating nature arising from foreign currency exchange or translation;

(vi) Gains or losses from the extinguishment of debt made to satisfy sinking fund requirements;

(vii) Amortization of goodwill

(viii) Company's share of the earnings or losses of affiliated companies accounted for on the equity method; and

(ix) The net balance of the revenue from and the expenses (including depreciation, amortization and insurance) of property, plant, and equipment, the cost of which is includable in Account 2006, Nonoperating plant.

(8) Costs that are typically given special regulatory scrutiny for ratemaking purposes. Unless specific justification to the contrary is given, such costs are presumed to be excluded from the costs of service in setting rates.

(i) Lobbying includes expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation, or ordinances (either with respect to the possible adoption of new referenda, legislation or ordinances, or repeal or modification of existing referenda, legislation or ordinances) or approval, modification, or revocation of franchises, or for the purpose of influencing the decisions of public officials. This also includes advertising, gifts, honoraria, and political contributions. This does not include such expenditures which are directly related to communications with and appearances before regulatory or other governmental bodies in connection with the reporting utility's existing or proposed operations;

(ii) Contributions for charitable, social or community welfare purposes;

(iii) Membership fees and dues in social, service and recreational or athletic clubs and organizations;

(iv) Penalties and fines paid on account of violations of statutes. This account shall also include penalties and fines paid on account of violations of U.S. antitrust statutes, including judgements and payments in settlement of civil and criminal suits alleging such violations; and

(v) Abandoned construction projects.

(9) Cash discounts on bills for material purchased shall not be included in this account.

Section 32.7310 Dividend income is deleted.

Section 32.7320 Interest income is deleted.

Section 32.7330 Income from sinking and other funds is deleted.

Section 32.7340 Allowance for funds used during construction is deleted.

Section 32.7350 Gains or losses from the disposition of certain property is deleted.

Section 32.7360 Other operating income is deleted.

Section 32.7370 Special charges is deleted.

Section 32.7399 Content of accounts is deleted.

Section 32.7400 Nonoperating taxes is revised to read as follows:

§ 32.7400 Nonoperating taxes.

This account shall include taxes arising from activities which are not a part of the central operations of the entity.

(a) This account shall be charged and Account 4330, Unamortized nonoperating investment tax credits--net, shall be credited with investment tax credits generated from qualified expenditures related to other operations which the company has elected to defer rather than recognize currently in income.

(b) This account shall be credited and Account 4330 shall be charged with the amortization of each year's investment tax credits included in such accounts relating to amortization of previously deferred investment tax credits of other property or regulated property, the amortization of which does not serve to reduce costs of service (but the unamortized balance does reduce rate base) for ratemaking purposes. Such amortization shall be determined with reference to the period of time used for computing book depreciation on the property with respect to which the tax credits relate.

(c) This account shall be charged and Account 4070, Income taxes--accrued, shall be credited for the amount of nonoperating Federal income taxes and state and local income taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged.

(d) Taxes shall be accrued each month on an estimated basis and adjustments made as more current data becomes available.

(e) Companies that adopt the flow-through method of accounting for investment tax credits shall reduce the calculated provision in this account by the entire amount of the credit realized during the year. Tax credits, other than investment tax credits, if normalized, shall be recorded consistent with the accounting for investment tax credits.

(f) No entries shall be made to this account to reflect interperiod tax allocation.

(g) Taxes (both Federal and state) shall be accrued each month on an estimated basis and adjustments made as later data becomes available.

(h) This account shall be charged and Account 4080, Other taxes--accrued, shall be credited for all nonoperating taxes, other than Federal, state and local income taxes, and payroll related taxes for the current period. Among the items includable in this account are property, gross receipts, franchise and capital stock taxes. This account shall also reflect subsequent adjustments to amounts previously charged.

- (i) This account shall be charged or credited, as appropriate, with contra entries recorded to the following accounts for nonoperating tax expenses that has been deferred in accordance with § 32.22 of subpart B:

4110 Net Current Deferred Nonoperating Income Taxes

4350 Net Noncurrent Deferred Nonoperating Income Taxes

(j) Subsidiary record categories shall be maintained to distinguish between property and nonproperty related deferrals and so that the company may separately report the amounts contained herein that relate to Federal, state and local income taxes. Such subsidiary record categories shall be reported as required by part 43 of this Commission's Rules and Regulations.

Section 32.7410 Nonoperating investment tax credits—net is deleted.

Section 32.7420 Nonoperating Federal income taxes is deleted.

Section 32.7430 Nonoperating state and local income taxes is deleted.

Section 32.7440 Nonoperating other taxes is deleted.

Section 32.7450 Provision for deferred nonoperating income taxes—net is deleted.

Section 32.7499 Content of accounts is deleted.

Section 32.7500 interest and related items is revised to read as follows:

§ 32.7500 Interest and related items.

(a) This account shall include the current accruals of interest on all classes of funded debt the principal of which is includable in Account 4200, Long term debt and funded debt. It shall also include the interest on funded debt the maturity of which has been extended by specific agreement. This account shall be kept so that the interest on each class of funded debt may be shown separately in the annual reports to this Commission.

(b) These accounts shall not include charges for interest on funded debt issued or assumed by the company and held by or for it, whether pledged as collateral or held in its treasury, in special deposits or in sinking or other funds.

(c) Interest expressly provided for and included in the face amount of securities issued shall be charged at the time of issuance to Account 1280, Prepayments, and cleared to this account as the term expires to which the interest applies.

(d) This account shall also include monthly amortization of balances in Account 4200, Long-term debt and funded debt.

(e) This account shall include the interest portion of each capital lease payment.

(f) This account shall include the monthly amortization of the balances in Account 1410, Other noncurrent assets.

(g) This account shall include all interest deductions not provided for elsewhere, e.g., discount, premium, and expense on notes maturing one year or less from date of issue.

(h) A list of representative items of indebtedness, the interest on which is chargeable to this account, follows:

- (1) Advances from affiliated companies;
- (2) Advances from nonaffiliated companies and other liabilities
- (3) Assessments for public improvements past due;
- (4) Bond coupons, matured and unpaid;
- (5) Claims and judgments;
- (6) Customers' deposits;
- (7) Funded debt mature, with respect to which a definite agreement as to extension has not been made;
- (8) Notes payable on demand or maturing one year or less from date of issue;
- (9) Open accounts;
- (10) Tax assessments, past due; and

(11) Discount, premium, and issuance expense of notes maturing one year or less from date of issue.

Section 32.7510 Interest on funded debt is deleted.

Section 32.7520 Interest expense—capital leases is deleted.

Section 32.7530 Amortization of debt issuance expense is deleted.

Section 32.7540 Other interest deductions is deleted.

Section 32.7599 Content of accounts is deleted.

Section 32.7600 Extraordinary items is revised to read as follows:

§ 32.7600 Extraordinary items.

(a) This account is intended to segregate the effects of events or transactions that are extraordinary. Extraordinary events and transactions are distinguished by both their unusual nature and by the infrequency of their occurrence, taking into account the environment in which the company operates. This account shall also include the related income tax effect of the extraordinary items.

(b) This account shall be credited and/or charged with nontypical, noncustomary and infrequently recurring gains and/or losses which would significantly distort the current year's income computed before such extraordinary items, if reported other than as extraordinary items.

(c) This account shall be charged or credited and Account 4070, Income taxes--accrued, shall be credited or charged for all current income tax effects (Federal, state and local) of extraordinary items.

(d) This account shall also be charged or credited, as appropriate, with a contra amount recorded to Account 4350, Net noncurrent deferred nonoperating income taxes or Account 4110, Net current deferred nonoperating income taxes for the income tax effects (Federal, state and local) of extraordinary items that have been deferred in accordance with § 32.22 of Subpart B.

Section 32.7610 Extraordinary income credits is deleted.

Section 32.7620 Extraordinary income charges is deleted.

Section 32.7630 Current income tax effect of extraordinary items—net is deleted.

Section 32.7640 Provision for deferred income tax effect of extraordinary items—net is deleted.

Section 32.9000 Glossary of terms is amended by revising the definition of *Mid-sized incumbent local exchange carrier* to read as follows:

§ 32.9000 Glossary of terms.

* * * * *

Mid-sized incumbent local exchange carrier is a carrier whose annual revenue from regulated telecommunications operations equals or exceeds the indexed revenue threshold and whose revenue when aggregated with the revenues of any local exchange carrier that it controls, is controlled by, or with which it is under common control is less than \$7 billion (indexed for inflation as measured by the Department of Commerce Gross Domestic Product Chain-type Price Index (GDP-CPI)).

* * * * *

Part 43 of Title 47 of the C.F.R. is amended as follows:

PART 43-REPORTS OF COMMUNICATION COMMON CARRIERS AND CERTAIN AFFILIATES

1. The authority citation for Part 43 continues to read as follows:

Authority: 47 U.S.C. 154; Telecommunications Act of 1996, Pub. L. 104-104, secs. 402(b)(2)(B), (c), 110 Stat. 56 (1996) as amended unless otherwise noted. 47 U.S.C. 211, 219, 220 as amended.

2. Section 43.21 Annual reports of carriers and certain affiliates is amended by revising paragraph (e) to read as follows:

§ 43.21 Annual reports of carriers and certain affiliates.

* * * * *

(e) Each incumbent local exchange carrier, except mid-sized incumbent local exchange carriers, as defined by § 32.9000 with annual operating revenues equal to or above the indexed revenue threshold shall file, no later than April 1 of each year:

(1) * * *

(2) * * *

(3) * * *

In addition to the amendment set forth above, Section 43.21 is amended by revising all references to "Each local exchange carrier" in paragraphs (f) through (j) to read "Each incumbent local exchange carrier".

(k) * * *

Part 51 of Title 47 of the C.F.R. is amended as follows:

PART 51 - INTERCONNECTION

Subpart G Resale

1. The authority citation for Part 51 continues to read as follows:

Authority: 47 U.S.C. §161

2. Section 51.609 Determination of avoided retail costs is amended by revising paragraphs (c)(1),(2) and (3) and (d) to read as follows:

§ 51.609 Determination of avoided retail costs.

* * * * *

(c) * * *

(1) Include, as direct costs, the costs recorded in USOA accounts 6611(product management and sales), 6613 (product advertising) and 6620 (Services) (Secs. 32.6611, 32.6613 and 32.6620 of this chapter);

(2) Include, as indirect costs, a portion of the costs recorded in USOA accounts 6121-6124 (general support expenses), 6720 (corporate operations expenses), and uncollectible telecommunications revenue included in 5300 (uncollectible revenue) (Secs. 32.6121-32.6124, 32.6720 and 32.5300 of this chapter); and

(3) Not include plant-specific expenses and plant non-specific expenses, other than general support expenses (Secs. 32.6112-32.6114, 32.6211-32.6560 of this chapter).

(d) Costs included in accounts 6611, 6613 and 6620 described in paragraph (c) of this section (Secs. 32.6611, 32.6613 and 32.6620 of this chapter) may be included in wholesale rates only to the extent that the incumbent LEC proves to a state commission that specific costs in these accounts will be incurred and are not avoidable with respect to services sold at wholesale, or that specific costs in these accounts are not included in the retail prices of resold services. Costs included in accounts 6112-6114 and 6211-6560 described in paragraph (c) of this section (Secs. 32.6112-32.6114, 32.6211-32.6560 of this chapter) may be treated as avoided retail costs, and excluded from wholesale rates, only to the extent that